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SUBJECT: WTO IMPORT LICENSING COMMITTEE - JUNE 15, 2005

#### Summary

1. Begin Summary. The June 15, 2005 meeting of the Import Licensing Committee began with a call from the chair for Members to catch up with required notifications and then featured issues raised by the United States, Australia, and Chinese Taipei regarding the import licensing practices of other Members. The United States recalled questions to Brazil on licensing requirements for lithium products and to the European Communities on uranium, asking when written responses would be received. Other issues raised by the United States included Turkey's import licensing requirements on rice, China's procedures for importing scrap and waste material, Indonesia's import licensing requirements on certain textiles, and Venezuela's licensing procedures on certain agricultural products. In addition, the United States requested an updated notification from Malaysia with particular emphasis on requirements affecting trade in motor vehicles, construction equipment, paper, and wood products. Among the issues raised by other Members included China's new licensing requirements for iron ore (by Australia) and China's use of automatic licensing and licensing in tariff-rate quotas (by Chinese Taipei). The next meeting is set for September 28, 2005. End Summary.

#### Opening Remarks

2. The outgoing chair, Victoria Campeanu of Romania, began with an assessment of the notification situation, stating that although notifications have improved there is still a long way to go. She "named names" - she read out the list of 23 Members that have not made a single notification to the Committee since its inception in 1995 and in doing so she gave particular emphasis to major WTO players including Egypt and Thailand. She urged Members to submit notifications without further delay.

3. The US delegation made the introductory points contained in instructions, expressing appreciation for the work of the chair and for all of the submissions made by the Members since the last meeting of the Committee. He noted that providing notifications and responding to questions are essential elements of WTO Members' obligations and tangible evidence of the respect they owe each other as Members - to be both transparent in the administration of their trade regimes and responsive to legitimate requests for information about access to each other's markets.

#### Issues Raised by the United States

4. Per instructions, the United States raised the following issues and/or questions during the meeting.

##### Brazil - Lithium Products

5. The US representative recalled the questions in G/LIC/Q/BRA/3 regarding Brazil's import licensing requirements for lithium products and asked when written responses would be ready. Brazil's delegate opined that import restrictions are necessary because of "potential risks" and "nuclear ends" but he also acknowledged US concerns and said a special inter-ministerial commission - involving the Ministry of Energy and Mining, the Ministry of Science and Technology, the Ministry of External Trade, the Ministry of External Relations, and the National Commission of Nuclear Energy - had been created to study them. Those debates take time, he said, and Brazil is not yet able to provide a detailed response. He did provide some preliminary statistics - for the years 2000-05, 65 licenses were "conceded," 24 were "not conceded," and 28 requests are still pending. Trade values are small, he said, amounting to \$3,281 in 2004 (135 kilos) and \$3,346 in 2003 (116 kilos).

##### EC - Uranium

6. Per instructions, the US representative sought a response to its questions regarding the European Communities' import licensing requirements on enriched uranium (document G/LIC/Q/EEC/3). The EC delegate replied that the European

Communities is currently finishing its response, both for the Committee and in the form of a letter from Commissioner Mandelson to Ambassador Portman. The EC delegate said the letter needed only a few modifications and corrections and would be sent to Ambassador Portman shortly. In her comments, she described the Treaty of Corfu as a confidential document, but left open the possibility of disclosing more information about the import restrictions imposed and the requirements that enforce them.

#### Turkey - Import Licensing Requirements for Rice

17. The US representative made all the points in the instructions, noting that Turkey published changes to its import licensing system for rice three times in 2004, yet none of these changes were notified to the WTO. He emphasized that US exporters have had problems securing import permits for rice, and he strongly urged Turkey to resume the year-round issuance of import licenses for rice imports without requiring the purchase of domestic rice. In addition, the US representative asked Turkey to promptly submit appropriate notifications regarding its licensing regime for rice and other products and to update its annual import licensing questionnaire to cover these products. (Note: Turkey did not have a representative at the meeting, so the US representative sent a copy of his statement to the Turkish mission, which acknowledged receipt and promised to forward the statement to Ankara for response.)

#### Venezuela - Licensing Restrictions on Various Agricultural Products

18. The US representative indicated that Venezuela's existing notifications did not appear to cover import licensing requirements on certain agricultural products including potatoes, onions, fertilized eggs, day-old chicks, and meat products. He urged Venezuela to review the situation and to submit updated notifications. (Note: Venezuela did not have a representative at the meeting, so the US representative sent a text version of the US statement to Venezuela's mission with a request that a response be provided.)

#### Malaysia - Licensing Requirements for Various Products

19. Per instructions, the US representative asked Malaysia to update its questionnaire, specifically with reference to import licensing requirements on motor vehicles, construction equipment, paper, and wood products. Malaysia's representative took note of the request and said a response would be provided following consultations with his authorities.

#### Indonesia - Licensing Restrictions on Textiles

10. Per instructions, the US representative made a statement regarding import licensing restrictions on certain textiles. He referred to the US questions raised at the October 2003 and May 2004 meetings, expressing general concern that the use of non-automatic licenses as a form of import regulation is inconsistent with Indonesia's WTO commitments and that requirements established by Decree 732/2002 continue to restrict and distort trade. He identified specific concerns about the decree, including limitations on the use of imported fabric and who can import it, requirements that approved importers seek approval from the Ministry of Industry and Trade for the quantity and timing of imports, and requirements that importers submit to the Ministry a monthly report tracking each importation by date, destination, quantity, price, duty, and country of origin. He requested that Indonesia eliminate or modify its existing licensing regime to address these concerns and said that the United States looks forward to working with Indonesia to achieve this objective.

#### China - Registration of Scrap and Waste Imports

11. Per instructions, the US representative asked China to clarify when it will formally reopen the registration process for scrap and waste material. China's representative took note of the question and replied that it would likely be "favorably considered" in Beijing.

#### Issues Raised by Other Members

12. Australia and Chinese Taipei also posed questions, both directed at China, during the meeting.

#### Australia - Questions to China

13. Australia flagged its general interest in getting more information from China on import licensing requirements introduced on March 1, 2005 for iron ore. (Note: On the fringes of the meeting, Australia met bilaterally with China to pose more specific questions, including 1) when does China plan to notify these new requirements, 2) for what reasons has China brought iron ore within the scope of automatic licensing, 3) why has China decided to impose qualifying criteria on enterprises seeking licenses, 4) what specifically are those qualifying criteria, 5) for what other products, if any, has China imposed qualifying criteria for automatic licensing, and 6) in China's

estimation, what effect will these new requirements have on imports in general and historical exporters in particular. They have requested bilateral replies by July 15.)

#### Chinese Taipei - Questions to China

¶14. The chair noted that G/LIC/Q/CHN/14 with questions from Chinese Taipei to China was first raised at the September 2004 meeting. Chinese Taipei recalled its interest in receiving responses. China replied that it has not yet received the document, a requirement under the working procedures of the Committee, and therefore it is not required to respond. Chinese Taipei observed that the document was sent to the Chinese mission and it is also available on the WTO website. The discussion continued back and forth without resolution, with Korea's delegate weighing in to try to clarify why China was not answering questions that seem to be readily available. (Note: Evidently not all Members were aware that China refused to accept the questions when they were sent through diplomatic channels. Korea's delegate admitted afterwards that he intervened out of confusion - because he did not immediately grasp why China was ducking the questions - and that he did so without instructions from Seoul.)

#### Appointment of Chair and Vice Chair

¶15. The Committee unanimously elected a new chair, Pam Cooper of Canada, and a new vice chair, Peter Govindasamy of Singapore.

#### Next Meeting

¶16. The next meeting of the Committee has been tentatively set for September 28, 2005. That meeting will include the fourth transitional review of China and, as part of regular business, the European Communities and Brazil may finally provide substantive responses to US queries on enriched uranium and lithium products, respectively. Shark